

# GENERAL LIABILITY TRUST FUND NOTES TO FINANCIAL STATEMENTS

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## Refund of Automobile Reinsurance Premium

A partial refund of the automobile premium is received when the loss experience is favorable. There is no penalty for unfavorable experience.

## Loss Liabilities and Expenses

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary.

<b>Unpaid Reported Claims Liabilities:</b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Unpaid claims and adjustment expenses at beginning of year	<u>\$5,717,009</u>	<u>\$4,459,466</u>
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	2,979,894	775,433
Increase (Decrease) in provision for insured events of prior years	<u>5,297,589</u>	<u>4,394,117</u>
Total incurred claims and adjustment expenses	8,277,483	5,169,550
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	1,251,418	15,193
Claims and adjustment expenses attributable to insured events of prior years	<u>2,931,605</u>	<u>3,896,814</u>
Total Payments	4,183,023	3,912,007
Total unpaid claims and adjustment expenses at end of year	9,811,469	5,717,009
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	11,019,711	9,370,605
Increase (Decrease) in incurred but not reported	<u>(242,402)</u>	<u>1,649,106</u>
Incurred but not reported at end of year	10,777,309	11,019,711
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$20,588,778</u>	<u>\$16,736,720</u>

**GENERAL LIABILITY TRUST FUND**  
**Underwriting Revenues and Expenses**  
**Other Revenues and Expenses**  
**Ten Year Income Summary**

	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93
<b><u>UNDERWRITING REVENUES:</u></b>										
Earned Premium	7,607,325	7,369,736	7,363,084	7,269,520	7,606,156	5,862,140	4,748,927	1,167,261	4,177,072	3,921,748
<b><u>UNDERWRITING EXPENSES:</u></b>										
Losses and Adjustments										
Loss Expenses	4,015,847	3,413,072	2,589,829	3,620,757	1,094,727	800,676	1,396,225	2,268,215	2,579,450	1,183,047
Adjustment Expenses	4,261,636	1,756,478	1,202,739	1,186,688	1,042,305	1,435,956	1,427,689	1,355,921	551,743	436,666
IBNR Expenses	(242,402)	1,649,106	(1,196,798)	(1,552,032)	3,126,985	(2,369,714)	(1,774,586)	(3,221,021)	5,039,521	
Total Losses Incurred	8,035,081	6,818,656	2,595,770	3,255,412	5,264,017	(133,082)	1,049,328	403,115	8,170,714	1,619,713
Less Recoveries - Prior Year	600	2,386	1,843	150	170,977	481,920	4,397			
Net Claims	8,034,481	6,816,270	2,593,927	3,255,262	5,093,040	(615,002)	1,044,931	403,115	8,170,714	1,619,713
Reinsurance Premium - Liability	290,333	517,667	454,667	334,950	374,900	437,761	456,833	610,000	586,932	476,019
Reinsurance Premium - Automobile	1,866,455	1,340,280	2,389,277	1,944,327	2,288,064	2,115,174	2,264,212	2,234,467	2,475,996	1,588,305
Actuarial Services	10,475	9,985	9,500	4,988	19,040	35,994	5,700	6,620	20,000	36,000
Professional Services-non claim			12,838							
Administrative Expenses	478,290	400,143	474,285	536,187	559,106	551,644	414,536	538,396	581,414	467,517
Net Underwriting Expenses	10,680,034	9,084,345	5,934,494	6,075,714	8,334,150	2,525,571	4,186,212	3,792,598	11,835,056	4,187,554
Net Underwriting Revenues	(3,072,709)	(1,714,609)	1,428,590	1,193,806	(727,994)	3,336,569	562,715	(2,625,337)	(7,657,984)	(265,806)
<b><u>OTHER REVENUES:</u></b>										
Investment Income	1,218,784	1,665,939	590,281	945,845	1,252,740	1,067,478	947,572	1,141,368	1,351,007	1,787,069
Other Income	15,119		450							
Net Other Revenues	1,233,903	1,665,939	590,731	945,845	1,252,740	1,067,478	947,572	1,141,368	1,351,007	1,787,069
REVENUES Before Transfers	(1,838,806)	(48,670)	2,019,321	2,139,651	524,746	4,404,047	1,510,287	(1,483,969)	(6,306,977)	1,521,263
Transfers-In from Other State Funds									18,910	
NET REVENUES	(1,838,806)	(48,670)	2,019,321	2,139,651	524,746	4,404,047	1,510,287	(1,483,969)	(6,288,067)	1,521,263

# STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

## INVESTMENT NOTES

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### Status - September 30, 2002

	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Commercial Paper			
and Other Short Term Securities	\$3,756,925	\$4,721,117	(20.4)
U. S. Agency Securities	10,091,949	10,392,242	(2.9)
Total Investments	<u>\$13,848,874</u>	<u>\$15,113,359</u>	<u>(8.4)</u>
Investment Income	<u>\$864,622</u>	<u>\$1,089,787</u>	<u>(20.7)</u>

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND  
BALANCE SHEET  
UNAUDITED  
AS OF SEPTEMBER 30, 2002**

<b>ASSETS</b>	<b><u>FY 2002</u></b>	<b><u>FY 2001</u></b>	<b><u>FY 2000</u></b>
<b>Cash and Cash Equivalents</b>	<b>\$1,536,843</b>	<b>\$601,577</b>	<b>\$1,201,436</b>
<b>Accounts Receivable - Premium</b>	<b>216,636</b>	<b>6</b>	<b>9</b>
<b>Accrued Interest Receivable</b>	<b>154,744</b>	<b>218,141</b>	<b>213,087</b>
<b>Investments</b>	<b>13,848,874</b>	<b>15,113,359</b>	<b>13,645,736</b>
<b>Prepaid Reinsurance</b>	<b>90,848</b>	<b>75,530</b>	<b>72,938</b>
<b>Deposit with Claims Paying Agent</b>	<b>264,000</b>	<b>160,000</b>	<b>160,000</b>
<b>TOTAL Assets</b>	<b><u>\$16,111,945</u></b>	<b><u>\$16,168,613</u></b>	<b><u>\$15,293,206</u></b>
<b>LIABILITIES &amp; FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	<b>\$338,588</b>	<b>\$40,250</b>	<b>\$8,207</b>
Amounts Held for Others	<b>212,000</b>	<b>212,000</b>	<b>212,000</b>
Total Current Liabilities	<b><u>550,588</u></b>	<b><u>252,250</u></b>	<b><u>220,207</u></b>
<b>Liabilities for Unpaid Claims:</b>			
Unpaid Claims & Expenses	<b>4,702,785</b>	<b>3,926,111</b>	<b>4,157,148</b>
Claims Incurred But Not Reported	<b>3,421,104</b>	<b>2,780,743</b>	<b>2,943,669</b>
Total Claim Liabilities	<b><u>8,123,889</u></b>	<b><u>6,706,854</u></b>	<b><u>7,100,817</u></b>
<b>TOTAL Liabilities</b>	<b>8,674,477</b>	<b>6,959,104</b>	<b>7,321,024</b>
<b>Fund Equity:</b>			
Fund Balance	<b><u>7,437,468</u></b>	<b><u>9,209,509</u></b>	<b><u>7,972,182</u></b>
<b>TOTAL Liabilities &amp; Fund Equity</b>	<b><u>\$16,111,945</u></b>	<b><u>\$16,168,613</u></b>	<b><u>\$15,293,206</u></b>

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**STATEMENT OF REVENUE AND EXPENSES**  
**UNAUDITED**  
**SEPTEMBER 30, 2002**

	<u>FY 2002</u>	<u>FY 2001</u>	<u>FY 2000</u>
<b>REVENUES:</b>			
Earned Premiums	\$2,690,414	\$2,933,760	\$2,898,427
Interest Income - Investments	864,622	1,089,787	398,637
Subrogation Recoveries	147,346	56,402	100,485
Prior Year Refund		52,813	182,097
Other Income - Administrative Fees	1,520,606	1,436,346	1,132,426
<b>TOTAL REVENUES</b>	<b>\$5,222,988</b>	<b>\$5,569,108</b>	<b>\$4,712,072</b>
<b>EXPENSES:</b>			
<b>OPERATION:</b>			
Loss and Adjustment Expenses	\$3,698,763	\$2,618,266	\$1,139,109
Incurred But Not Reported Expense	640,361	(162,926)	(714,500)
Reinsurance Expense	361,983	309,756	302,153
Actuarial Services	51,007	19,385	19,020
Professional Services	1,377,960	1,671,071	1,118,084
<b>Total Operation</b>	<b>6,130,074</b>	<b>4,455,553</b>	<b>1,863,866</b>
<b>ADMINISTRATION:</b>			
Personnel Salaries	252,329	251,131	223,845
Employee Benefits	70,671	55,541	50,201
Travel In-State	650	1,499	2,315
Travel Out-of-State			1,133
Repairs and Maintenance	38,013	12,418	22,889
Rentals and Leases	1,658	2,242	3,756
Utilities and Communication	52,499	38,000	26,264
Professional Services - Non-Claim	365,523	114,771	54,762
Supplies, Materials & Operating Expense	44,391	39,092	49,087
Transportation Equipment Operations	300	200	197
<b>Total Administration</b>	<b>826,034</b>	<b>514,894</b>	<b>434,449</b>
<b>TOTAL EXPENSES</b>	<b>6,956,108</b>	<b>4,970,447</b>	<b>2,298,315</b>
<b>NET REVENUES</b>	<b>(\$1,733,120)</b>	<b>\$598,662</b>	<b>\$2,413,757</b>

**STATE EMPLOYEES INJURY COMPENSATION TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

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**Loss Liabilities and Expenses**

Loss liabilities and expense reserving is required by the Governmental Accounting Standards Board - Statement Number Ten, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." Losses are recorded as current liabilities and expenses in the year reported. SEICTF losses are estimated liability claims reported and in process of settlement. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Employee injury claims filed are generally reported in the year of occurrence except those losses filed at the end of the fiscal year. Those claims that have been reported are likely to be understated because of unknown medical expense.

<b>Unpaid Reported Claims Liabilities:</b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Unpaid claims and adjustment expenses at beginning of year	\$3,926,111	\$4,157,148
Incurred Claims and Adjustment Expenses:		
Provision for insured events of the current year	739,753	497,471
Increase (Decrease) in provision for insured events of prior years	2,959,010	2,120,795
Total incurred claims and adjustment expenses	3,698,763	2,618,266
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	584,418	541,368
Claims and adjustment expenses attributable to insured events of prior years	2,337,671	2,307,935
Total Payments	2,922,089	2,849,303
Total unpaid claims and adjustment expenses at end of year	4,702,785	3,926,111
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	2,780,743	2,943,669
Increase (Decrease) in incurred but not reported	640,361	(162,926)
Incurred but not reported at end of year	3,421,104	2,780,743
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$8,123,889</u>	<u>\$6,706,854</u>

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**Underwriting Expenditures**  
**(Claims and Expenses Paid)**  
**Eight Year History**

<b>Fiscal Year</b>	<b>Total</b>	<b><u>Policy Year of Claim</u></b>							
		<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
<b>1995 *</b>	<b>410,945</b>								<b>410,945</b>
<b>1996</b>	<b>2,736,679</b>							<b>1,843,975</b>	<b>892,704</b>
<b>1997</b>	<b>2,797,761</b>						<b>1,477,218</b>	<b>994,260</b>	<b>326,283</b>
<b>1998</b>	<b>2,986,997</b>					<b>347,888</b>	<b>1,714,292</b>	<b>702,972</b>	<b>221,845</b>
<b>1999</b>	<b>1,753,553</b>				<b>208,497</b>	<b>57,131</b>	<b>853,112</b>	<b>464,299</b>	<b>170,514</b>
<b>2000</b>	<b>1,599,518</b>			<b>262,641</b>	<b>(478,794)</b>	<b>571,892</b>	<b>683,213</b>	<b>392,680</b>	<b>167,886</b>
<b>2001</b>	<b>2,849,303</b>		<b>541,368</b>	<b>386,617</b>	<b>694,847</b>	<b>349,821</b>	<b>422,446</b>	<b>338,999</b>	<b>115,205</b>
<b>2002</b>	<b>2,922,089</b>	<b>584,418</b>	<b>(581,797)</b>	<b>993,554</b>	<b>611,352</b>	<b>354,924</b>	<b>580,686</b>	<b>272,682</b>	<b>106,270</b>

\* The 1994 legislature established the State Employee Injury Compensation Trust Fund effective October 1, 1994.

## **Staff**

### **RISK MANAGER**

Jerry L. Carpenter

### **ADMINISTRATIVE**

Marilyn Tucker  
Joyce Gassett  
Melanie Omondi  
Elaine Tate

### **INFORMATION SYSTEMS**

Becky Cole  
Sharon Henderson

### **CLAIMS**

Kim Huggins  
Leigh Warner  
Rick Light  
Dorothy Roberts  
Teresa Nobles

### **EMPLOYEE ASSISTANCE**

Sam Boswell  
Vernessa Law

### **LOSS CONTROL**

Jack Pierce  
Walter Cooper  
Harper Pruett  
Ken Barnett  
Matthew Payne

### **UNDERWRITING**

Carl Walter  
Dale Whittle

### **EMPLOYEE INJURY**

Pete Maddock  
Sandra Landers  
Ann Jackson  
Chemeka Williams  
Dorothy Kelly  
Georgia Ivey  
Gwen Owens  
Hugh Gale  
Kitty Berrey

Mike Jarrett  
Kristi Kelley  
Lou Scholl  
Paula Cole  
Paulette Weeks  
Rosanna McHargue  
Sirena Sheridan  
Stephanie Oliver  
Sue Willis  
Tammy Sasser  
Tracy Dumas